

PRIVATISING SOUTH AFRICA BY DICTUM: A REVIEW

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Opsomming

Onlangse inisiatiewe om staatsbeheerde ondernemings in Suid-Afrika te privaatiseer, met die sogenaamde doel om, inter alia, die ANC-beheerde Regering vir Nasionale Eenheid (RNE) se Heropbou- en Ontwikkelingsprogram (HOP) te befonds, toon 'n enorme paradigma-skuif in terme van die ANC se oorspronklike ekonomiese belied. Hierdie skuif verteenwoordig 'n radikale wegbeweeg van openbare besitreg soos vasgelê in die Vryheidsmanifes, na die huidige toegewing aan 'n Wêreldbank / Internasionale Monetêre Fondss-styl makro-ekonomiese strategie, wat privatisering voorstel as 'n fundamentele wondermiddel vir die kwale van die openbare sektor en versnelde dienslewering. Nietemin, dit blyk dat hierdie strategie die HOP, sowel in die wyse as die uitvoering daarvan, marginaliseer. Dit is ironies dat 'n privatiseringsprogram wat gedurende die laat 1980s, te midde van ernstige dreigemente van hernasionalisasie deur die ANC en sy huidige vennote - die Suid-Afrikaanse Kommunistiese Party (SAKP) en die Suid-Afrikaanse Vakverbond COSATU - nou aktief duer die RNE nagestreef word, selfs in die huidige klimaat van uiterste teëstand deur die SAKP en die Suid-Afrikaanse Vakverbond.

Hierdie artikel ondersoek die privatiseringsproses van die ANC-bewind in terme van die standpunt dat hierdie proses nie net uiters geheimsinnig voorkom nie, maar ook plaasgevind het sonder regmatige deelname en konsultasie met die wye publiek en die ANC se huidige vennote. Die gevolgtrekking wat hier beredeneer word is dat privatisering geïmplimenteer word as 'n onverhandelbare ontwikkelingsmeganisme - 'n beleidsinstrument deur dictum.

1. Introduction

Mindful of the experience in the Third World in general, and Sub-Saharan Africa (SSA) in particular, where in some instances the privatisation of state assets was turned into a farce because of corruption, nepotism patronage and insider dealing, in South Africa (SA) the Congress of South African Trade Unions (COSATU) insisted from the outset that the privatisation process is shrouded in secrecy and should be made transparent. As a consequence COSATU objected to the African National Congress's (ANC) adoption of a privatisation policy at its December 1994 Conference, which was endorsed without any form of consultation with the labour movement - the ANC's strongest social partner.¹ In order to forestall any unilateral action on the part of the ANC the labour movement insisted on participation and transparency, calling on the ANC to be accountable, not only to its allies but also the masses on any decision taken on the issue of privatisation.

¹ COSATU 6th National Congress: 16-19 September 1997, Book 4, Resolutions, Discussion Documents (1997), p. 33.

In terms of the rather intense privatisation debate which emerged, COSATU, and to a lesser extent the South Africa Communist Party (SACP), threatened mass action and a possible break-up of the ANC/COSATU/SACP alliance. This was done not only to force the ANC to consider the social equity ramifications of privatisation, but to call for a moratorium on the privatisation process and/or to scrap the issue of wholesale privatisation of State Owned Enterprises (SOE's) with a "social dimension" in terms of the Reconstruction and Development Programme (RDP) service delivery all together. Aware of this threat, the ANC succumbed to the demands from COSATU in the form of a "compromise" which was institutionalised with the adoption of the *National Framework Agreement* (NFA) during February 1996. The NFA mandates government to manage the process of restructuring within public assets and services, providing that proper consultation takes place with the labour movement. Despite this agreement the labour movement showed concern that the ANC-led government continued to make unilateral decisions as far as restructuring is concerned.

These concerns raise questions on the ANC's political will to allow open debate on processes of socio-economic transformation in South Africa, and in particular on its policy rhetoric on a fundamental commitment to popular participation and transparency. This paper seeks to review the issues of participation, transparency and accountability during the consultation process on privatisation in SA. However, firstly the concepts central to the theme of this paper need to be meditated.

2. Clarifying Concepts

2. 1. Privatisation

The *White Paper on Privatisation and Deregulation in the Republic of South Africa* defines privatisation as the: "...systematic transfer of appropriate functions, activities or property from the public to the private sector, where services, production and consumption can be regulated more efficiently by the market and price mechanisms".²

More recent, the Ministry for Public Enterprises defines privatisation as: "Privatisation refers to the policy of converting public ownership of an asset to the private sector, or permitting the performance of a certain activity, hitherto carried out by a state owned enterprise, by a private sector business."³

Most definitions of privatisation fall within the neo-classical hypothesis which fundamentally assumes that private ownership and minimum state intervention equals higher efficiency in the open market.⁴ Privatisation takes on many forms. Oversimplification of the concept such as that privatisation is merely perceived that state activities are replaced by the market are insufficient.⁵ Furthermore, definitions

² *White Paper on Privatisation and Deregulation in the Republic of South Africa* (1987), p. 8.

³ *National Framework Agreement* (1996), p. 8.

⁴ H. P. B. Moshi, "The limitations of privatisation in Africa: In the context of structural adjustment programmes". Paper presented at the Southern African Universities Social Sciences Conference (4-7 December 1995), pp. 3-4.

⁵ See H. Zarenda, "Some social welfare aspects of privatisation", in F. Vorhies (ed.), *Privatisation and economic justice* (1990), p. 450; C. Adam, W. Cavendish, P. Mistry, *Adjusting privatization: Case studies from developing countries* (1992), p. 6.

which describe privatisation, including aspects such as higher productivity and efficiency result in confusion, whereby privatisation is often portrayed as a goal in itself rather than simply a means to an end. There is a need to specify the true significance of privatisation in order to attach any analytical meaning to the concept, viz., the kind of state intervention to be replaced by the market should be specified, and similarly, the type of non-state institutions which might replace it.⁶ Such an approach emphasises not only the act or incidence of privatisation, but also the depth thereof.

Privatisation should be perceived as a *means* as opposed to an *end* in the development process. Inherently privatisation refers to a change of ownership of SOE's to domestic or international capital. In addition, the nature and extent of privatisation are subject to sectional interests which are guided by consensus and/or conflict between relevant stakeholders, i.e., state, capital and labour. In this respect, a review of the varied objectives which politicians, managers, civil servants, labour leaders and international financing institutions bring to privatisation show that consensus among these stakeholders are highly unlikely, particularly in developing countries.⁷ The eventual form which privatisation will assume, is therefore subject to a country's unique characteristics, e.g., available resources, cultural variables, the power and political goals of the state, market strength, and most importantly the extent of stakeholder participation and consensus.

2. 2. Participation

Chikulo succinctly defines participation as: "... activities by private citizens designated to influence government decision-making."⁸

Sabela and Reddy explain that: "Full individual participation boils down to popular participation where citizens are invited and expected to express their wishes on issues of governance." At the same time Sabela and Reddy argue that participation has become: "...something of a political catch phrase and many people with a serious interest in politics have become suspicious of it."⁹ Derbishire concludes that: "...to participate effectively must mean to be able, as a consequence of the participation, to have some influence over any resultant [policy] decisions."¹⁰

The act of participation should take cognisance of the strong instrumental value and potential of such a process and be directed to influence the end process in a constructive and significant manner. Consequently, inherent to participation lies self-accountability and responsibility to influence the participant's own destiny.

⁶ J. Le Grand and R. Robinson (eds.), *Privatisation and the Welfare State* (1984), p. 6.

⁷ Y. Aharoni, "On measuring the success of privatisation", in R. Ramaruti and R. Vernon (eds.), *Privatization and control of state owned enterprises* (1991), pp. 73-83.

⁸ B. C. Chikulo, "Popular participation and development: The Zambian Model", *Africa Quarterly*, 19, 2 (July- September 1979), p. 3.

⁹ T. Sabela and P. S. Reddy, "The philosophy of local government in developing countries with particular reference to South Africa", in P. S. Reddy (ed.), *Readings in local government management and development: A Southern African perspective* (1996), p. 5.

¹⁰ Cited in *ibid.*

2. 3. Transparency

The South African Constitution defines transparency as: "...providing the public with timely, accessible and accurate information."¹¹

FitzGerald warns that the lack of transparency, i.e., the concentration of information in the hands of senior government officials and denied access to information to the masses on which key decisions are based, will certainly impact negatively on: "... the credibility and accountability of a government, and the ability of citizens to participate in governance."¹² This statement not only emphasises the importance of transparency, but highlights the significant relationship between accountability and participation. As Latib notes: "the ability of the public to have access to government and its activities [transparency] is thus acknowledged to be vital to accountability."¹³

2. 4. Accountability

Carino defines "traditional accountability" as: "...accountability [which] focuses on the regularity of fiscal transactions and faithful compliance as well as adherence to legal requirements and administrative policies."¹⁴ This perception is rather bureaucratic, technical and devoid from, what FitzGerald refers to as "operational accountability",¹⁵ and what Latib refers to as "democratic accountability".¹⁶

FitzGerald maintains that during the previous National Party regime, "bureaucratic accountability", "...where employees are held accountable up a hierarchy for adhering to rules ...", were considered sufficient, and the global shift towards "operational accountability", "...which focuses on making state employees more directly accountable to end-users, citizens and communities and restoring the values of public service...", has not been put to practice to date.¹⁷

Beyond Carino's explanation of "traditional accountability" and FitzGerald's quest for "operational accountability", Latib goes a step further, emphasising the public sector's role to confront accountability in a manner: "... more consistent with the concept of social utility ... [which] ... implies that accountability should be based on an overall concept of governance." In view of this rather holistic conceptualisation of democratic

¹¹ *Constitution of The Republic of South Africa: 1996* - As adopted by the Constitutional Assembly on 8 May 1996 and as amended on 11 October 1996, (sec. 195 (1) (g)).

¹² P. FitzGerald, "Towards a developmental public administration paradigm", in P. FitzGerald, A. Mc Lennan, B. Munslow (eds.), *Managing sustainable development in South Africa* (1995), p. 514.

¹³ S. Latib, "Ethics of public management", in FitzGerald, Mc Lennan, Munslow (eds.), *Managing sustainable development*, p. 153.

¹⁴ Cited in C. Bauer, "Administrative corruption in Central Government: 1985-1994", M. A. dissertation (1997), p. 148.

¹⁵ P. FitzGerald, "Towards a developmental public administration paradigm", in P. FitzGerald, A. Mc Lennan, B. Munslow (eds.), *Managing sustainable development in South Africa* (1995), p. 514.

¹⁶ S. Latib, "Ethics of public management", in FitzGerald, Mc Lennan, Munslow (eds.), *Sustainable development*, p. 141.

¹⁷ FitzGerald, "Public administration paradigm", p. 514.

accountability, Latib moots the following strategies to effect this ideal:¹⁸

- ◆ Structures which maximise citizen participation in policy processes and in the use and allocation of public resources;
- ◆ organisational structures and public service work processes which ensure transparency and which are conducive to democratic and accountable governance; and
- ◆ a public service ethos that compliments democratic and accountable policy and implementation processes.

This not only highlights political representation and the dominance of political structures in this process, but also a reciprocative process with all stakeholders in society on issues with a social dimension which affect peoples' daily lives.

Participation and transparency should be viewed as an interactive process to further accountability in order to avoid malpractices and corruption. Participation aims at securing transparency and accountability, whereas transparency and accountability compliment and enhances informed participation.

3. The Government of National Unity's privatisation initiative

The GNU's privatisation initiative is plagued with contradiction and extreme opposition. Johnson claims that with the ANC's victory in the 1994 national elections it was obvious that both the SACP and trade unions: "...saw its triumph as a stepping stone to full-blown socialism." The crucial mechanism towards this transformation was to be the RDP which represents, as Johnson notes: "...a massive exercise in state welfare and redistribution that was at the heart of the ANC's 1994 election campaign."¹⁹ However, as it turned out the GNU did not follow socialism as an ideology for development, but opted for a complete opposing ideology of "full-blown liberal capitalism", particularly with the adoption of its new World Bank (WB) and International Monetary Fund (IMF) style macro economic strategy during 1996.²⁰

3. 1. The Government of National Unity's privatisation policy proposals

During January 1995 a task group dealing with restructuring of SOE's was established by Cabinet. The primary aim of the task group is to guide the restructuring of SOE's in such a way as to give direction on an appropriate developmental orientation, including economic and industrial growth and job creation strategies.²¹ Appropriately, President Mandela remarked in his 100-Days Speech on 18 August 1994:

In line with the objectives of the RDP, we will, by the end of the year [1994], require clear medium and long term strategies from all departments and parastatal institutions on mechanisms of shifting their

¹⁸ Latib, "Ethics of public management", pp. 140-141.

¹⁹ *Sowetan*, 25 October 1996.

²⁰ See *Restructuring the South African Labour Market: Report of the Presidential Commission to investigate labour market policy* (1996).

²¹ *Discussion Document by the Government of National Unity on the consultative and implementation framework for the restructuring of the state assets* (1995), p. ii.

operations to meet the requirements of reconstruction and development.²²

The *White Paper on the Transformation of the Public Service*²³ outlines the Government of National Unity's objectives of restructuring and rationalisation in terms of, firstly - the creation of a unified and integrated public service; secondly - the restructuring of the senior management echelon; and thirdly - the creation of a leaner and more cost-effective public service. The White Paper further stresses that the first two objectives are relatively short-term in nature and geared primarily to create an effective basis for further administrative restructuring and transformation. The third objective is perceived to improve efficiency and effectiveness, and also to: "...open resources for productive investment and RDP related project expenditure." In other words, this objective implies the "right-sizing" of the public sector and the utilisation of the savings incurred by this process to boost the RDP fund. From the broader sentiments expressed in the White Paper, it is evident that in order to achieve the said objectives, enormous retrenchment of workers and privatisation of SOE's would need to be undertaken. With no explicit reference in the White Paper to the privatisation of SOE's, COSATU dismissed the term "restructuring of state assets" as but "nothing more than a code name for various forms of privatisation."²⁴

3. 2. Initial reaction to the Government of National Unity's privatisation initiative

The recent drive by government to restructure and privatise has been met with outrage from particularly the COSATU/SACP alliance, borne primarily from a lack of consultation and the realisation that government is attempting to abandon its social responsibilities. History teaches us that the trade unions' resistance to privatisation is located in the apartheid legacy. During the liberation struggle in SA, unions not only involved themselves with industrial related issues but became highly politicised and militant. Consequently, unions oppose restructuring and privatisation from various assumptions and ideological perspectives. Similar to the rest of SSA's creed against privatisation, resistance in SA is rather severe. Generally unions opposition to privatisation are based on premises such as:²⁵

- ◆ Government makes unilateral decisions as far as restructuring is concerned, and that many of these decisions out-rightly promote privatisation;
- ◆ the retention of some SOE's by the state should remain essential in ensuring that the basic needs of the poorest section of society are met;
- ◆ converting public monopolies into private monopolies will do no redistributive justice because those who have access to such assets are the rich minority as they have the financial resources;
- ◆ wholesale privatisation will increase unemployment through job losses;
- ◆ privatisation does not lead to Black economic empowerment, but merely seeks to create a layer of Black capitalists;

²² *White Paper on Reconstruction and Development* (1994), par. 2.5.1.

²³ *White Paper on the Transformation of the Public Service* (1995), p. 33.

²⁴ *COSATU 6th National Congress: Discussion Documents*, p. 34.

²⁵ See *ibid.*, p. 33-35; *New Nation*, 19-25 June 1992; *The Star*, 2 January 1996; *Business Day*, 5 March 1996.

- ◆ wholesale privatisation would impoverish the people and that only a few will benefit from this process;
- ◆ privatisation of basic needs utility services will further impoverish the majority since services will come at a higher cost;
- ◆ privatisation will result in the domination of multi-national corporations in the economy; and
- ◆ the privatisation initiative by government is the result of WB and IMF interference in SA.

Conversely, organised business appears to be in general agreement with the GNU's privatisation drive, and not surprisingly disagrees vehemently with union privatisation interests. Generally business leaders in SA are of the opinion that privatisation will stimulate investor confidence which are: "... badly dented by the high crime rate and the rand's recent sharp fall."²⁶ Pro-privatisation exponents in SA view privatisation in terms of the role it can play in, *inter alia*, reducing government debt and cutting the budget deficit. The fears and concerns of anti-privatisation proponents in SA can be deduced to a broadly perceived conception that the government is attempting to shed its social responsibility role as envisaged in the RDP, and that this is done in a rather clandestine manner since government shows reluctance to be transparent on the issue and to allow full participation by all stakeholders.

3. 3. The consultation process

The consultation process with the unions as secured by the NFA, the Ministry of Public Enterprises and the statutory negotiation forum - the National Economic, Development and Labour Council (NEDLAC), had very little impact on the decision by government to implement, in a unilateral fashion, privatisation of SOE's and related economic transformation policy alternatives as set out more specifically in the government's macro-economic strategy. This discussion seeks to elucidate the resulting hard stance on privatisation by the unions on the one hand, and similarly that of government and business on the other hand. It further seeks to review the extent of conflict and/or consensus between government, labour and business on economic transformation alternatives as proposed by the various parties. Reference will be given on the government's new macro-economic strategy, how it was negotiated with government's social partners, and the reaction of business and particularly labour towards selected components thereof.

3. 3. 1. From compromise to conflict

With full knowledge of the potential for further conflict and media rumours of a break-up of the ANC/COSATU/SACP alliance, because of, *inter alia*, a lack of consultation and consensus on privatisation, and the GNU's new non-negotiable Macro Economic Strategy,²⁷ NEDLAC came to the fore in an attempt to bring all parties together to facilitate negotiations on the potentially explosive issue of consultation, restructuring, privatisation and economic transformation.

²⁶ *Sunday Times* - Business Times, 23 June 1996.

²⁷ See *The Citizen*, 12 February 1996; *Business Day*, 22 May 1996; *The Star* - Business Report, 23 July and 7 August 1996.

Towards the end of 1995 the trade union movement appeared ready to shift its position from an outright rejection of privatisation to one of, arguably, relative compromise. At a meeting between government and labour during December 1995, under the auspices of NEDLAC, this "moderate" position of labour was reiterated. It included demands for:²⁸

- ◆ Full disclosure of information pertaining to all operational aspects of SOE's;
- ◆ regular reports to NEDLAC on the restructuring process;
- ◆ a "social plan solution" in the event where restructuring is likely to entail retrenchments, downgrading or transfers of workers;
- ◆ representation of labour on the Enterprise Transformation Committee - a task group set up at each public sector corporation to examine privatisation; and
- ◆ the appointment of professional advisors by the trade unions to be paid for partially by government.

It appears that underlying the unions' more moderate stance is the realisation that private sector finances and technology are essential to drive the RDP in corporations such as TELKOM. The unions noted at the said NEDLAC meeting that: "Where particular assets are underperforming or are not contributing to RDP goals, they should be restructured and transformed through a process which involves all stakeholders."²⁹ COSATU concurs that there should be a drive towards higher productivity and efficiency in public sector enterprises and that SOE's have to be in the forefront of promoting effective services to all people.³⁰ However, COSATU-aligned unions insist that: "We are prepared to continue negotiations concerning privatisation, but we are not going to negotiate ourselves out of jobs."³¹

In the wake of Deputy President Mbeki's announcement during December 1995, whereby government decided to privatise some SOE's outright, and invited international strategic partners to take shares in major SOE's,³² unions expressed shocked concern that government failed to negotiate with them on such a drastic pro-privatisation commitment. This led to threatening mass action, demonstrations, work stoppages and strikes.³³ COSATU insisted on a formalised and binding agreement between government and labour which should secure union participation and full transparency in the restructuring and privatisation policy-making processes.

3. 3. 2. Institutionalising negotiations

After intense debate the government and trade unions institutionalised negotiating procedures with the inception of the NFA during February 1996, which the minister for Public Enterprises described as a "landmark decision", with privatisation and the

²⁸ *Sunday Times*, 7 January 1996.

²⁹ *Ibid.*

³⁰ *Business Day*, 5 January 1996.

³¹ *The Citizen*, 12 January 1996.

³² *The Star - Business Report*, 8 February 1996.

³³ During 1995, 71% of the total man-days lost because of industrial action were due to strikes in the public sector (*Business Day*, 15 January 1996).

restructuring programme being “now on the move”.³⁴ However, during the finalisation phase of the NFA during January 1996, parties involved described the agreement as:

“...merely [setting] the parameters in which the parties will examine the restructuring of public sector corporations. It ties neither the hands of the government nor labour.”³⁵

COSATU further reiterated on this issue that despite the NFA: “...the government continues to make unilateral decisions as far as restructuring is concerned and that many of these decisions out-rightly promote privatisation.”³⁶

Forcing debate on restructuring, privatisation and economic transformation at NEDLAC, COSATU, along with NACTU and FEDSAL, released their economic plan for SA on 1 April 1996, titled - *Social equity and job creation: The key to a stable future*.³⁷ This move followed similar initiatives by government and the South African Foundation to provide input into the debate on economic transformation. Government tabled their draft document in parliament on 14 June 1996, titled - *Growth, Employment and Redistribution: A macro-economic strategy* (often referred to as GEAR).³⁸ Business's economic approach is largely based on the South African Foundation's document published at the end of February 1996, titled - *Growth for All*.³⁹ All three documents deal extensively with issues such as economic growth, job creation, government spending and debt, taxes, labour regulations, restructuring and privatisation.

3. 3. 3. Deepening divisions: COSATU and business

Previous discourse on privatisation and related issues between business and labour appear to be extremely confrontational. With the publication of their economic plans the debate intensified into further conflict, deepening the already existing divisions.

Organised business's “economic approach”, reiterates their stance on privatisation, *inter alia*, as follow:⁴⁰

- ◆ The encouragement of private ownership and/or private management of SOE's;
- ◆ state holdings in ISCOR, SASOL and ALUSAF to be sold immediately to raise about R20 billion for government;
- ◆ the sale of TRANSNET and TELKOM in full or in part to yield about R20 billion; and
- ◆ the privatisation of ESKOM to be considered which might strengthen the governments coffers with about R20 billion.

COSATU's economic plan, which fundamentally amplifies the sentiments expressed in section 3.2 above, was published after the SA Foundation's economic plan. In this

³⁴ *The Star* - Business Report, 8 February 1996.

³⁵ *Sunday Times*, 28 January 1996.

³⁶ *COSATU 6th National Congress: Resolutions, Discussion Documents*, p. 33.

³⁷ *Social Equity and Job Creation: The Key to a Stable future* (1996).

³⁸ *Growth, Employment and Redistribution: A Macro-Economic Strategy* (1996).

³⁹ *Growth for All* (1996).

⁴⁰ *Ibid.*

document, trade unions formalised their opposition to full-scale privatisation in terms of, *inter alia*.⁴¹

- ◆ The need for more government intervention in the economy to secure worker rights and meet development goals;
- ◆ restructuring and not privatisation of SOE's; and
- ◆ that the goals of the RDP will be defeated if restructuring benefits a new Black elite, while the delivery of essential services is fundamentally undermined.

The two rather opposing economic plans from business and labour ended up in what Steyn appropriately describes as a "war of words."⁴² COSATU reiterates that their economic plan outlines labour's: "...priorities and positions to guide debate and possible areas of agreement within NEDLAC."⁴³ Although labour claims that their economic plan: "...was not a response to the SA Foundation's Growth for All document...", COSATU asserts that business's economic plan is "Growth for a few as opposed to Growth for All." COSATU further warned that: "Business is not being singled out. Workers are also making sacrifices but [business] has to realise that the stage has been set for a fight between us and them ...Mass action to achieve its [COSATU's] goals are not an impossibility and cannot be ruled out."⁴⁴

This warning certainly materialised. A Standard Bank spokesperson called COSATU's plan "unworkable", while SACOB claimed that:

There appears to be a basic difference in the philosophical approach which drives the labour proposals and the views of the business community - with labour appearing to favour an approach that "protects" jobs and creates employment by harbouring inefficiency and increasing rigidity.⁴⁵

Cronin reiterates the views of the SACP on business's economic plan as an attack on both: "...the new democratic government [and] the other prime target ...the trade union movement." He further describes the business plan as invoking:

...the usual neo-liberal mantra of radical deregulation, liberalisation, a "brick privatisation programme", major cuts in taxes, and the reduction of government spending as a share of GDP by about 2% next year {1997} ...[which] will strip government of any strategic role in the economy. We have just installed the beginnings of democracy, and already we are being asked to replace elected government with government by an unelected market. ...The document [*Growth for All*] is quite forthright [claiming] that "another disadvantage [in the economy] is that the trade union movement is one of the strongest in the world".⁴⁶

⁴¹ *Social Equity and Job Creation: The key to a stable future* (1996).

⁴² *Business Day*, 11 April 1996.

⁴³ *Business Day*, 2 April 1996.

⁴⁴ *Ibid.*

⁴⁵ *Ibid.*

⁴⁶ *Business Day*, 24 April 1996.

It is evident that negotiations on a new economic policy, including the issue of privatisation had a bumpy start, riddled with a lack of participation and transparency. NEDLAC's scheduled consultative meetings had to be cancelled since, as a NEDLAC spokesperson commented: "A big meeting would be out of the question while there were such deep divisions."⁴⁷

3. 3. 4. Government intervention

Against the background of the "deep divisions" within the ranks of particularly COSATU and business, Labour Minister Mboweni fiercely criticised labour and business, threatening that: "...unless they took the idea of a social relationship [NEDLAC] seriously...",⁴⁸ he would marginalise them from joint policy-making in government.

Over and above the intense hostility and pressure, particularly from COSATU, which government faces on restructuring and privatisation, President Mandela intractably remarked, that: "Privatisation is the fundamental policy of the ANC, and it is going to be implemented ...Just because we [government and COSATU] have a working relationship, and they [COSATU] helped put us in power, does not mean that we are happy with everything they say."⁴⁹

COSATU-aligned unions reciprocated this statement calling for full participation and state transparency, failing which further mass action will go ahead if the sale of state assets were implemented unilaterally.⁵⁰ This endorsed the threatening deadlock between government and organised labour. Referring to privatisation, President Mandela reiterated Mboweni's threat, declaring that government will "go it alone" if labour, business and government could not form a successful partnership.⁵¹

These statements underpin speculation in various press reports on a potential end to the tripartite alliance. However, both government and labour denied this as a premature assumption.⁵² At the same time, NEDLAC came under attack from both business and labour on not having enough powers to implement its negotiated decisions, and its failure to facilitate negotiations on an appropriate economic policy for SA.⁵³ In this regard, and reacting to Minister Mboweni's controversial announcement that the NEDLAC act which binds government to negotiate with NEDLAC on "all significant changes to social and economic policy" before going to parliament, as an "impediment

⁴⁷ *Business Day*, 11 April 1996.

⁴⁸ *Ibid.*

⁴⁹ *Sunday Times*, 26 May 1996.

⁵⁰ Labour consultants Andrew Levy and Associates claim in their second quarter *Strike Report*, that the "Stage is set for a showdown between government and trade unions on the issue of restructuring..." They further claim that there is a strong likelihood of a sharp rise in strikes related to restructuring of SOE's (*The Star*, 28 June 1996).

⁵¹ *Sunday Times*, 26 May 1996.

⁵² See *The Citizen*, 12 February 1996; *Sunday Times*, 21 July 1996; *The Star - Business Report*, 23 July 1996; *The Star - Business Report*, 7 August 1996.

⁵³ See *Business Day*, 18 January 1996; *Business Day*, 29 January 1996; 11 April 1996; 15 April 1996; and 22 May 1996 and *The Star - Business Report*, 3 June 1996.

to policy formulation",⁵⁴ a strong call emerged for government to give NEDLAC more powers to defuse the growing tension between business and labour.⁵⁵

3. 3. 5. Setting new rules: Government's non-negotiable policy alternative

The government tabled their macro-economic blue print, *Growth, Employment and Redistribution: A Macro Economic Strategy* in parliament on 14 June 1996, which emphasises privatisation, growth and employment creation. The principal objectives of the macro-economic framework are:⁵⁶

- ◆ To establish a competitive fast growing economy which creates sufficient jobs for all work seekers;
- ◆ a redistribution of income and opportunities in favour of the poor;
- ◆ a society in which sound health, education and other services are available to all; and
- ◆ an environment in which homes are secure and places of work are productive.

The core fiscal policy elements of the package include:⁵⁷

- ◆ Budgetary reform initiatives which are aimed at sharpening the distributive thrust of government expenditure and containing costs;
- ◆ trade and industry reforms to attract foreign investment and boost production;
- ◆ social and sectoral policies;⁵⁸
- ◆ a labour market reform programme, which outlines a number of steps designed to improve productivity and bring about more flexible industrial relations; and
- ◆ a public investment and asset restructuring programme involving, *inter alia*, privatisation as its main thrust;

With regard to public investment and asset restructuring, the aspects involved are two-fold:⁵⁹

- ◆ Firstly it proposes increased public investment in socio-economic infrastructure, coupled with improved maintenance and operation of public sector assets; and
- ◆ secondly, in order to ensure effective government leadership, guidelines for the governance, regulation and financing of public corporations to be implemented.

While a decision has been made, in principle, to sell off non-strategic assets, the government reiterated its previous stance on restructuring and privatisation. In terms of GEAR, the nature of restructuring will involve the following.⁶⁰

- ◆ Total sale of SOE's;

⁵⁴ *Business Day*, 3 June 1996.

⁵⁵ *Business Day*, 25 June 1996.

⁵⁶ *Growth, Employment and Redistribution: A macro-economic strategy* (1996), p. 1.

⁵⁷ *Ibid.*, pp. 7-20.

⁵⁸ The macro-economic strategy does not offer a new policy on social and sectoral policies but merely highlights some key linkages between growth, employment and redistribution.

⁵⁹ *Growth, Employment and Redistribution.*, pp. 14-15.

⁶⁰ *Ibid.*

- ◆ partial sale to strategic equity partners; or
- ◆ sale of SOE's, with government retaining a strategic interest

On the issue of the disposal of SOE's no new bold decisions have been taken at the time of the release of GEAR. If anything, the government seems to be dragging its feet by sticking to its stop-go attitude. Thus there is still some ambivalence on government's part regarding privatisation, although Finance Minister Manuel did emphasise that government would have to ensure that assets should be properly valued before being sold off. Furthermore, no details were given of the programme envisaged for the approximately 27 SOE's earmarked for restructuring. This would appear to confirm that the government is still sticking to a case-by-case approach. Thus, this issue remains a weak link in the government's economic restructuring strategy and leave no base for concrete policy alternatives and the nature of the implementation thereof, to be debated openly.

3. 3. 6. Reaction to GEAR

With the release of the above strategy, Deputy President Mbeki greeted the media - "Call me a Thatcherite.", whilst Finance Minister Manuel warned, that the GEAR document is "non-negotiable."⁶¹ COSATU rejected out-rightly government's stance that the economic plan is non-negotiable,⁶² calling it a "certain recipe for economic disaster."⁶³ These statements clearly show government's rather dogmatic acceptance of neo-classical economics and its commitment to privatisation, however, without consultation with its social partners.

COSATU's more specific objections to government's proposals relate primarily to, *inter alia*, the following elements and implications contained in GEAR:⁶⁴

- ◆ That GEAR is a non-negotiable policy instrument which came about without any form of consultation with the labour movement;
- ◆ government would unilaterally set policy priorities and funds to be committed to social and sectoral policies;
- ◆ social services which cannot be provided to all, or could be undertaken more effectively by the private sector, are to be eliminated or scaled down;
- ◆ the need to cut government's budget deficit to 3% of GDP by 2000, implies that the scope for increased public spending on social services is likely to be severely limited, in spite of the government's rhetoric on the centrality of social and sectoral policies;
- ◆ envisaged government spending cuts on social and community services are quite severe and entail a real aggregate increase of only 3% per annum which cannot even cover 15% of current medium-term departmental expansion plans; and

⁶¹ *Sunday Times* - Business Times, 16 June 1996. GEAR was never released as a Green or a White Paper for public discussion, nor was it tabled at NEDLAC or any other consultative forum.

⁶² *Business Day*, 14 August 1996.

⁶³ *The Star* - Business Report, 23 July 1996.

⁶⁴ B. C. Chikulo and M. J. Meyer, "Growth, employment and redistribution - A macro economic strategy: Implications for the North-West Province". A Discussion Paper (1996).

- ◆ that the strategy hinges on restrained wage increases in the public and private sector.

Business reacted to GEAR, reiterating that they are "...happy with the direction of policy, [but] the only reservation was the slow pace of its implementation."⁶⁵ Business particularly criticised government on not coming up with "concise privatisation timetables" in the GEAR document.⁶⁶

In an attempt to marginalise COSATU further and to diffuse further conflict with the ANC and business, and arguably, to please the international business community through a market globalisation approach, Public Enterprises Minister Sigcau announced that final policy on privatisation will be addressed during July 1996.⁶⁷ This did not materialise. During her budget address on 21 July 1996, she announced marginal progress in the government's restructuring and privatisation plans. This was well below business's expectations and that of the National Party (NP) which called her speech "disappointing" and that: "It appears that government has not quite made up its mind about privatisation."⁶⁸ Arguably, her announcement was carefully toned down in the wake of labour's negative reaction to the macro-economic strategy.

A closer reading of GEAR reveals that the government is playing WB/IMF rules, and that government is effectively implementing a Structural Adjustment Programme (SAP) on the South African economy. As the WB representative in SA, Judith Edstrom⁶⁹ remarks: "South Africa [is] in effect implementing a World Bank economic reform programme [SAP] without having to borrow [from the WB]."⁷⁰ Typical to SAP's, the negative social aspects of GEAR are being exacerbated by the blatant fact that it came as a non-negotiable, a great shock and a non-transparent policy directive. Stakeholders were evidently not involved in the negotiation process or design of GEAR, and therefore unable to institute measures to protect themselves.

3. 4. Participation and transparency: Some issues of concern

Possibly the most crucial aspect that surfaces from this discussion is that of the blatant lack of participation and transparency in order to secure accountability during the privatisation process. As COSATU reiterates: "While the leading partner of the Alliance, the ANC, is in office, there are real questions as to how far the democratic forces have taken power."⁷¹ It is evident that privatisation as a development mechanism in SA lacks general consensus.⁷² Although token negotiations took place with stakeholders,

⁶⁵ *The Star* - Business Report, 20 July 1996.

⁶⁶ *Sunday Times* - Business Times, 16 June 1996.

⁶⁷ *The Star*, 23 May 1996.

⁶⁸ *Sunday Times* - Business Times, 23 June 1996.

⁶⁹ *Business Day*, 20 August 1997.

⁷⁰ *Business Day*, 20 August 1997.

⁷¹ *COSATU 6th National Congress*, p. 3.

⁷² The findings of a nation-wide opinion survey released by the Helen Suzman Foundation during February 1997, show that 46% of the respondents were opposed to privatisation, whereas 36% were in favour and 19% had no opinion (*Business Day*, 14 February 1997).

particularly through NEDLAC, however, rarely in the design and the final form which the process of privatisation will take on, it can be concluded that it was rather unilaterally planned and implemented, with the non-negotiable GEAR as the final nail in the coffin. This created severe insecurity and extreme resistance among different stakeholders in the privatisation process. The known axiom that *perception* equals *reality* has relevance here. Besides conventional economic and development wisdom, the general resistance to privatisation also signals a spontaneous reaction to the *perceived reality* which people have because of general fears that privatisation will impact negatively on their socio-economic status. This does not only indicate that the people are generally not ready for "grand changes", but also reluctant to the neo-classicist change process imposed by government - that of privatisation in particular.

The restructuring and privatisation initiatives by government are top-down, lacking peoples' participation and disregarding peoples' choices. Nonetheless, besides the GNU's previous claims that consultation with all stakeholders was done "properly", President Mandela conceded at the recent September 1997 COSATU sixth national congress that: "...there had not been enough consultation between the ANC, COSATU and the South African Communist Party before the adoption of the strategy [GEAR and privatisation]."⁷³ Furthermore, a recent ANC document – "Strategy and Tactics of the African National Congress", which was released to coincide with COSATU's 1997 September Conference, ambiguously states:

Democracy and development are intertwined, and one cannot be separated from the other ...On the other hand, mass participation does not imply paralysis or wilful inaction in the name of endless consultation. Decisive, bold and speedy action should always be pursued, without derogating from the need for the people themselves to facilitate such promptness in meeting their needs.⁷⁴

Of further concern is the issue of equity and empowerment. One of the most prominent motives for privatisation by the GNU is the empowerment of the previously disadvantaged groups through the equitable distribution of proceeds gained from the sale of state assets. Indirectly, to fund the RDP, and directly, to make it possible for the previously disadvantaged to empower themselves through individually and/or collectively gaining access to privatisation spoils. Depending on exactly how privatisation proceeds will be made accessible to the previously disadvantaged, the question remains: Will the poor be able to participate in empowerment schemes such as the buying of shares in privatised companies, or is it merely a question of the entrenchment of nepotism, patronage and paving the way for corruption and insider dealing? Because of the existing excessive poverty and inequality levels in South Africa, it is reasonable to assert that the only manner in which such shares, for example, will benefit the poor, will be to sell it at well below its market value. At the same time, if this approach is adopted, will it not reduce the resources to implement the RDP, and therefore defeat the motive of the GNU to fund the RDP?

⁷³ *Mail & Guardian*, 19 -25 September 1997.

⁷⁴ "Strategy and tactics of the African National Congress", in *Umrumbulo: Lets talk politics, Special Edition, Draft strategy document* (1997), p. 13.

To date, the government has failed to address such an obvious contradiction. Hence, the concerns of privatisation opponents that "Black empowerment" is but merely a myth since privatisation will only benefit a new Black elite who have the know-how, capital and power to access privatised markets, leading to increased levels of inequality. Therefore, any attempt towards social equity, and in particular the reduction of vast inequalities in society must be addressed through the proper redistribution of wealth, eradication of poverty, promotion of workers rights, increased employment, and the development of the full human potential of the people. At the same time, the new-found political pluralism in SA will be meaningless if not coupled with the right to proper housing, education, health and jobs. Andrew Prior explains:

...political liberation has not brought economic empowerment to those most drastically affected during the apartheid era: the RDP has been virtually abandoned; poverty is widespread and growing; massive job creation has not occurred; educational and social services remain in a sorry state ...The unorganised unemployed, marginalised squatters and the traditional rural population has grown more impoverished.⁷⁵

In a different tone, the ANC's reaction to suspicion surrounding the "Black empowerment" issue as outlined in their "Strategy and Tactics of the African National Congress" document, are rather theatrically introspective, elusive and avoiding the real concerns. The ANC's claim is that:

In some instances what is hailed in the private sector as "black empowerment" is symbolic and devoid of real substance. There are possibilities that some of these forces are dictated by foreign or local big capital on whom they rely for their advancement. There are possibilities too, that riches for some can go directly via public office, sometimes through corrupt practices.⁷⁶

Although the ANC claims that the above might be an exception to the norm, they strangely admit that:

However, in the overall, the rising black bourgeoisie and middle strata are objectively important motive forces of transformation whose interests coincide with at least the immediate interests of the majority. They are, in this sense and in this phase, part of the motive forces of fundamental change.⁷⁷

This rather patronising statement is being rationalised by further self-indulgence and a daring realisation of the ANC's rather fragile political position on the issue:

⁷⁵ *Business Day*, 19 August 1997.

⁷⁶ "Strategy and tactics of the African National Congress", p. 19.

⁷⁷ *Ibid.*

The occupation of positions of power by individuals from the black majority, and the material possibilities this offers, does create some "social distance" between these individuals and constituencies they represent. It should not be ruled out that this could render elements in the revolutionary movement progressively lethargic to the conditions of the poor.⁷⁸

4. Conclusion

It is imperative for the ANC-led government to review their fragile socio-economic and political environment, and to adapt in order to fulfil the demands and challenges of the majority of the people - those who dogmatically cling to the RDP as the socio-economic and political remedy for development and prosperity in SA - the RDP which secures the principles of participation, transparency and accountability.

It is apparent that the process of restructuring and privatisation in SA lacked common vision and direction from the start. The GNU failed to intervene constructively and showed a lack of political will to allow open debate and participation on the socio-economic development mechanisms to be employed in the future SA, because of external interests rather than domestic cohesion.

Regardless of whether the government views the notion of privatisation from an employed, unemployed, social, moral, political cost, or any other perspective, it will be exposed to scrutiny and some risk, particularly in the wake of its rather authoritarian style of policy formulation.

The trade union movement attempted to intervene constructively, only to be snubbed at as a troublemaker and threatened to be excommunicated and marginalised from joint policy-making in government. However this did not deter unions to forcefully engage and "impose" themselves in highlighting the weaknesses of the ANC for open debate, transparency and accountability. These pressures turned the debate on privatisation to a process of consultation and participation. However, these sentiments did not last. Government accountability on issues of nepotism, patronage and the possibility of corruption on the issue of privatisation spoils have been, arguably, institutionalised through their non-negotiable position on GEAR. This certainly highlights the ANC's lack of political will to allow open debate on processes of socio-economic transformation in SA, and in particular on its policy rhetoric on a fundamental commitment to popular participation and transparency, which, in reality, nullify its slogans of accountability and responsibility to the masses.

In sum, the essence of the privatisation debate in SA today is earmarked by: a non-negotiable position by government to continue with GEAR and privatisation; by anti-privatisation proponents which generally include unions (defending their members' socio-economic and democratic rights); activists (ideologically articulating peoples' choice and participation); and the poorest of the poor (spontaneously reacting to the reality of privatisation as the "cruel choice"), who have realised how very little say they have over their own destiny in a world of globalised market forces, regardless of political pluralism and deepening democratic sentiments. As Starr appropriately advises:

⁷⁸ *Ibid.*, p. 20.

Democratic politics, unlike the market, is an arena for explicitly articulating, criticising, and adapting preferences; it pushes participants to make a case for interests larger than their own. Privatisation diminishes this public sphere – the sphere of public information, deliberation, and accountability.⁷⁹

⁷⁹ P. Starr, *The limits of privatization* (1990), p. 5.